

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Into)	Rulemaking 04-03-017
Distributed Generation)	(Filed March 16, 2004)
_____)	

**COMPLIANCE FILING OF SAN DIEGO GAS & ELECTRIC
COMPANY PURSUANT TO D.03-02-068**

Ordering Paragraph 2 of Commission Rulemaking (“R.”) R.04-03-017 states that “PG&E, SCE and SDG&E shall file an update on their plans to incorporate DG into grid-side system planning, as required by Ordering Paragraph 2 of D.03-02-068. These updates shall be filed no later than two weeks from the date of this order” SDG&E hereby submits its update setting forth the methodology SDG&E plans to use to evaluate DG alternatives to traditional wires solutions.

Project Identification

As discussed in its D.03-02-068 compliance filing, SDG&E developed a list of evaluation guidelines that identify circumstances under which the utility may find the use of DG to be more advantageous and cost effective than a traditional distribution “wires” upgrade. Table 1 sets forth these evaluation guidelines, which provide SDG&E with flexibility in identifying potential DG solutions. SDG&E has further formalized these procedures that are applied to capacity projects and has included the latest draft version as Appendix 1.

SDG&E has completed one planning cycle since its implementation of its project identification procedures and found no instances where DG was a cost effective alternative for a capacity project. However, SDG&E is utilizing DG solutions when appropriate and proactively seeking viable DER opportunities. SDG&E utilized mobile

rental DG during the 2003 Firestorm to keep emergency shelters supplied with power. In another remote region of San Diego County, SDG&E is powering a single customer utilizing DG until the circuit, which was destroyed by fire, can be rebuilt. Through its Sustainable Communities Project, SDG&E is also identifying projects that advance a broad effort to maximize potential DER benefits.

TABLE 1

DG Evaluation Guidelines for Distribution Planning Situations Potentially Conducive to Use of a DG Alternative	
Higher cost capacity project:	DG becomes more cost competitive compared with traditional wires projects in circumstances such as in remote sites.
Slow growth area:	DG provides capacity in smaller increments that more closely follows load growth as opposed to larger, lumpier wires solution. This capacity must suffice until the next planning review.
New loads with uncertainty in size and timing:	When capacity additions are questionable in either size or timing, DG provides a risk management tool to defer large capital projects.
Low load reduction needed:	Large capacity needs are best resolved with wires, while some capacity needs, such as those of certain commercial and industrial customers, may be smaller and may provide a better opportunity for a DG solution.
Solution needed quickly:	Modular DG solutions such as mobile generators are readily available and can be installed quickly.

SDG&E's DG Procurement Process

As mentioned in our D.03-02-068 compliance filing, once SDG&E determines that third party DG could be a potentially viable option, as set forth above, SDG&E will utilize its equipment procurement process to identify possible solutions. SDG&E's equipment procurement process involves identifying and pre-qualifying a list of potential vendors by evaluating their credit worthiness and experience in providing similar solutions. Only vendors that meet SDG&E's minimum vendor qualifications are added to its pre-qualified bidders' list and invited to participate in any solicitations.

SDG&E has attempted to procure DG solutions utilizing this process in the past and intends to follow this same process in the future. SDG&E currently has four vendors

on its pre-qualified bidder's list. SDG&E is finalizing the posting information on its website (http://www.sdge.com/business/self_generation.shtml) advising parties on how to contact SDG&E if they are interested in providing DG as a distribution alternative.

SDG&E Form Contract for DG Solutions

SDG&E's form contract for DG solutions has not changed since its D.03-02-068 Compliance filing. The contract spells out the requirements for the DG vendor as well as the physical assurance requirements and remedies for non-performance under this contract. This contract ensures that the DG solution will be of the right size, in the right location, installed at the right time and includes physical assurance. Unless the DG alternative vendor is willing to agree to these terms and include physical assurance as part of the solution, SDG&E will provide the capacity by other means.

SDG&E Final Solution Evaluation and Selection

SDG&E will evaluate for technical adequacy all bids timely submitted in response to the solicitation. Where technically equivalent proposals exist, selection will be based on the lowest solution cost. SDG&E will compare the cost of the proposed DG alternative selected through the solicitation to determine if it is lower than a utility solution. If the bid is the least cost solution, SDG&E will proceed with implementing the vendor solution. Consistent with D.03-02-068 (at p. 19), "The compensation paid to the DG solution would be no greater than that calculated for the deferral of a planned capital addition." Responsibility for performing these evaluations and making the selections resides with the manager responsible for the distribution system planning process.

Respectfully submitted,

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March 30, 2003

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing
COMPLIANCE FILING OF SAN DIEGO GAS & ELECTRIC COMPANY
PURSUANT TO D.03-02-068 on all known interested parties of record in R.04-03-017
via email to those whose email address is listed in the official service list and via first-
class mail to those whose email address is not available.

Dated at Los Angeles, California, this 30th day of March 2004.

Rosemarie Rodriguez